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Ex-PBGC chief seeking frozen plans

Belt's new firm sees business opportunity through careful management of assets, liabilities

By **Doug Halonen**
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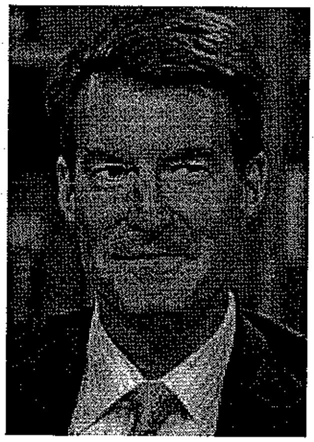

Jamie Rector/Bloomberg News
Brad Belt is talking to regulators, plan sponsors and money managers to gain support for his proposal.

WASHINGTON — Bradley D. Belt, the former Pension Benefit Guaranty Corp. chief, wants to take over your frozen pension plans — and he's betting he can wring enough money out of the hundreds of millions of dollars now sitting in frozen plans in the U.S. to pay off the existing liabilities and turn a tidy profit for his new company and other investors.

"We're very comfortable with our ability to manage the assets against the liabilities in a way that will allow us to earn a consistent return above the liabilities, but without taking inordinate risk in doing so," said Mr. Belt, now chairman of Palisades Capital Advisors LLC, in an interview in the firm's Washington office.

There's no precedent for pension plan liability buyouts in the U.S. So over the past several months, Mr. Belt has been meeting with federal regulators, pension plan sponsors and representatives of investment firms to encourage support for a concept that he argues could serve the best interests of plan sponsors, plan participants and the PBGC alike.

Palisades, which opened in March, is affiliated with Reservoir Capital Group LLC, New York, a private investment firm with $3 billion in assets under management. In addition to Mr. Belt, other Palisades board members are Craig A. Huff, Reservoir president, and Matthew T. Popoli, a Reservoir principal. John L. Spencer, a former PBGC staffer, is Palisades' managing director, and Dawn M. Bizzell, another former PBGC staffer, is Palisades' director of operations.

Palisades is not alone. Officials at Citigroup, New York, have also announced interest in pension plan liability buyouts and has a number of U.S. deals in the pipeline, said Ari Jacobs, managing director and head of Citigroup's retirement benefits advisory group.

Citigroup Global Markets Ltd., a London-based investment bank, also recently announced a deal that would make it the first investment bank to take on the liabilities of a pension plan in the United Kingdom, where a variety of pension plan transfers have already been done. Citigroup is taking over the operation of the £218 million ($439 million) Thomson Regional Newspapers Pension Fund, London (Pensions & Investments, Sept. 17).

"Plan sponsors (in the U.S.) are actively looking for new solutions to help them manage and limit their pension exposure," Mr. Jacobs said.

No legal impediment

According to Mr. Belt's analysis, there's no legal or regulatory impediment to the deals in the U.S. But Mr. Belt said he believed federal agencies — including PBGC and the Department of Labor — can and should play a role in ensuring that any transactions in the U.S. serve the best interests of plan participants.

Agency officials appear open to the idea, but have yet to sign off on the concept.

"Shifting an underfunded pension plan from a sponsor with a poor credit rating to a strong financial institution could offer greater security for pension beneficiaries and for the PBGC, but numerous regulatory issues and potential risks remain to be sorted out," said Charles E.F. Millard, PBGC interim director.

Mr. Belt said plan liability transfers would be a "win, win, win" when they shift responsibility for a frozen plan from a credit-challenged sponsor who has no financial expertise to a creditworthy entity with investment experience.

Plan sponsors win, Mr. Belt said, because they get a "wasting trust" liability off their books; plan participants win because their promised benefits receive a higher level of protection, and the PBGC wins because the transfer reduces the risk of default for the frozen plan.

"For participants, this is the continuation of their current plan that will now be backed by a highly creditworthy sponsor," Citigroup's Mr. Jacobs concurred.

Although Mr. Belt said he believes pension liability transfer transactions need no prior approval from the government, he also said there were enough questions about the issue that many parties with an interest in the transactions would prefer to receive "some type of formal or informal blessing from the regulators" before proceeding with a deal.
